

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6983

BILL NUMBER: SB 338

NOTE PREPARED: Feb 23, 2009

BILL AMENDED:

SUBJECT: Contributions to PERF Pension Benefit.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a member of the Public Employees' Retirement Fund (PERF) may choose at retirement to make a contribution to the pension portion of the member's retirement benefit using all or a part of the amount credited to the member in the annuity savings account.

Effective Date: July 1, 2009.

Explanation of State Expenditures: (Revised) The proposal states that the actuarial assumptions, including the cost-of-living adjustment assumptions, used to determine the normal employer contributions under IC 5-10.2-2-11 apply to the member's contribution. This means that the purchase of the additional pension portion would be determined on an actuarially equivalent basis.

Since the purchase of an additional PERF pension portion with a member's ASA balance is determined on an actuarially equivalent basis, there would be no fiscal impact. However, to the extent that the General Assembly approved a COLA different than the 1.5% actuarial assumption, there would be a real gain (or loss) to the member and a corresponding loss (or gain) to the PERF.

In addition, PERF has estimated one-time systems costs of \$42,000 to accommodate this type of request and an additional annual cost estimated at \$48,000 if PERF was required to calculate a member's pension with the ASA compared to the purchase of additional years of service using the ASA funds. The fund affected is the PERF Administrative Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: PERF.

Local Agencies Affected: Those units with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 317- 576-1508; Steve Barley, Chief Operating Officer of PERF, 317-233-4184.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Actuarial Equivalent - If the present values of two series of payments are equal, taking into account a given interest rate and mortality according to a given table, the series are said to be actuarially equivalent. For example, under a given set of actuarial assumptions, a lifetime monthly benefit of \$67.60 beginning at age 60 can be said to be the actuarial equivalent of \$100 a month beginning at age 65. The actual benefit amounts are different but the present values of the two benefits, considering mortality and interest, are the same.

Normal Cost– The normal cost is the current value of benefits likely to be paid on account of members' service being rendered in the current year.